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FM AMEMBASSY SUVA  
TO RUEHC/SECSTATE WASHDC PRIORITY 3829  
INFO RUEHBY/AMEMBASSY CANBERRA 1598  
RUEHML/AMEMBASSY MANILA 0200  
RUEHPB/AMEMBASSY PORT MORESBY 1179  
RUEHWL/AMEMBASSY WELLINGTON 1375  
RUEHNZ/AMCONSUL AUCKLAND 0390  
RUEHDN/AMCONSUL SYDNEY 0798  
RUEATRS/DEPT OF TREASURY WASHDC 0147  
RHHJJAA/JICPAC HONOLULU HI  
RHHMUNA/HQ USPACOM HONOLULU HI

C O N F I D E N T I A L SUVA 000139

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MANILA FOR US MISSION TO ADB

E.O. 12958: DECL: 03/01/2017

TAGS: [EFIN](#) [PGOV](#) [MARR](#) [FJ](#)

SUBJECT: "EMERGENCY" IMF MISSION TO FIJI IN APRIL WILL  
FOCUS ON FIJI'S LOW RESERVES, BALANCE OF PAYMENTS PROBLEMS

REF: SUVA 127

Classified By: Ambassador Dinger per 1.4 (B) and (D)

11. (C) Sirpa Jarvenpaa, Director of the Asian Development Bank's Regional Office in Suva, told us March 1 that an "emergency" IMF mission is coming to Fiji in order to look at Fiji's deteriorating level of reserves. Jarvenpaa expects Fiji to ask the IMF to provide financing to build up Fiji's reserves, now well below the 3.3 months of imports reported in the Fiji Reserve Bank's end of 2006 accounts (reftel). Because Fiji's drawing rights from the IMF are very limited, Fiji may also ask the ADB and the World Bank to pitch in. Jarvenpaa thought it unlikely that the ADB would agree to contribute financing.

12. (C) Lorraine Seeto, Senior Manager at the Fiji Reserve Bank, told us the IMF mission, details of which she said are on close hold, is scheduled to take place in late April. Only one IMF staffer would be coming to Fiji, after a larger mission completes a visit to Tonga. The focus of the Fiji mission will be to discuss steps the Reserve Bank can take to solve Fiji's current balance of payments difficulties. A number of options will probably be discussed, including further tightening monetary policy, and instituting even more stringent exchange controls than are currently in place. Fiji will certainly inquire, she said, about tapping the IMF's Compensatory Financing Facility (CFF). Seeto said she didn't know how much might be available for Fiji, but noted that the last time Fiji took out a loan under the CFF, it was in the US\$10-15 million range.

13. (C) Seeto said the IMF will probably recommend a devaluation of the Fiji dollar during the mission. Coming on the heels of the planned 5% civil service pay cut, however, a devaluation would have a strong negative impact on the buying power of the citizens of Fiji. She therefore expects the Reserve Bank to resist such a move, at least in the short term. She said the Bank is looking at a number of ways to boost reserves so that a devaluation won't be necessary. One idea is to float a Fiji Dollar bond on international markets. Some in the Bank are convinced that there is an appetite for such a bond, perhaps totaling US\$30-40 million, even though the value of the US\$150 million (U.S. dollar denominated) bond Fiji successfully floated last year plummeted after the coup. Seeto said she couldn't help blurting out "are you kidding me?" when the Fiji Dollar bond idea came up in a recent Bank Board meeting, but she was rebuked by her

superiors. Jarvenpaa told us that, in her view, a devaluation is inevitable.

DINGER